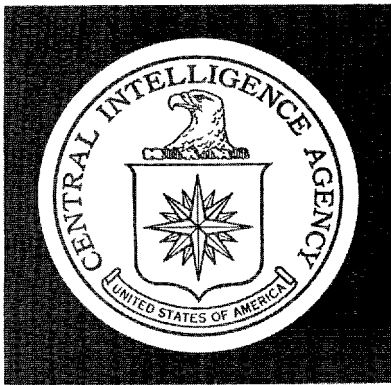


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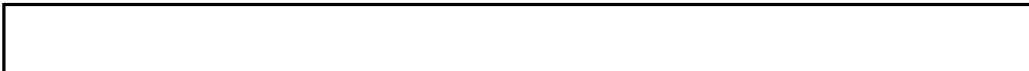
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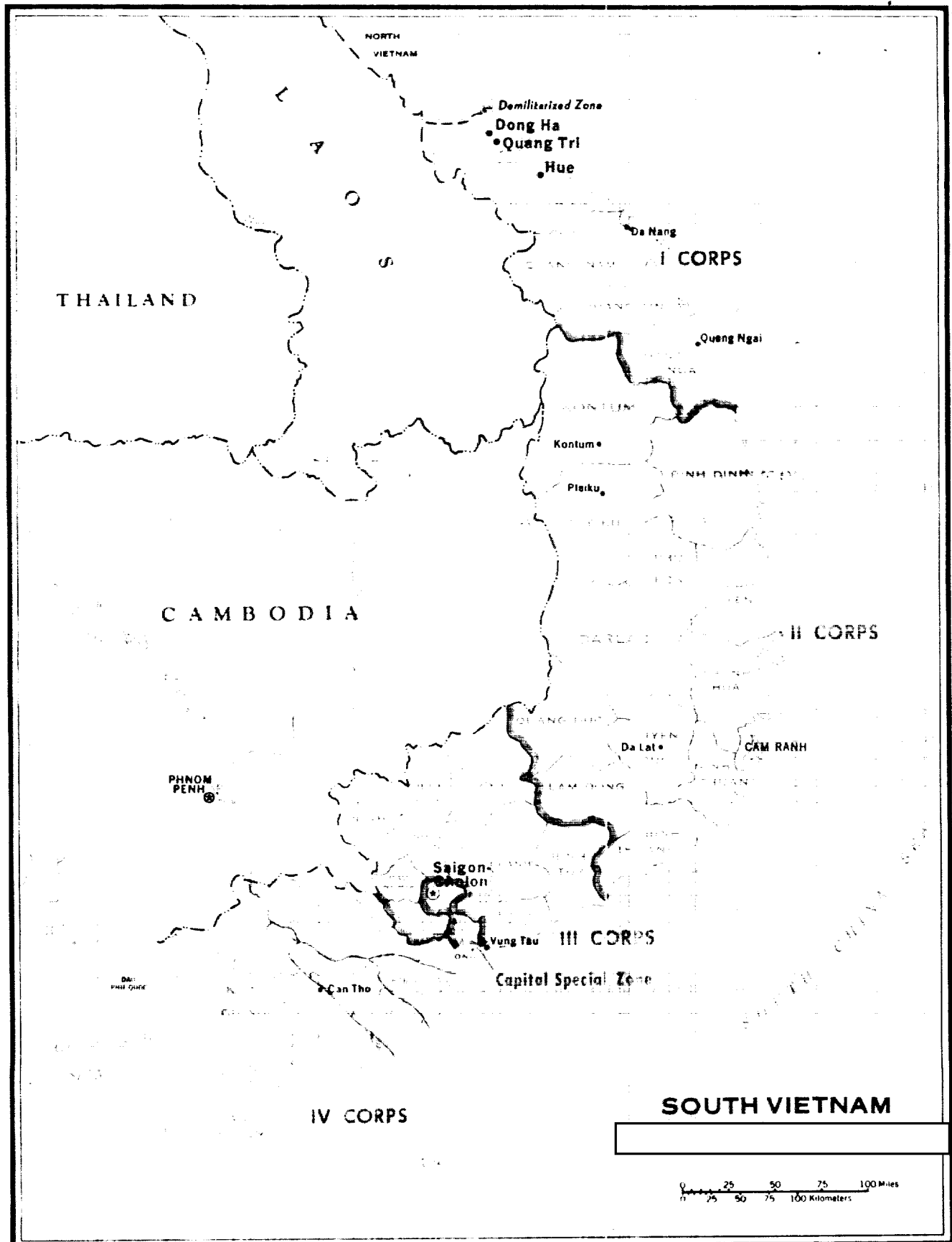


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[South Vietnam: Sharp fighting continues in many areas of South Vietnam, and there are indications that the enemy plans stepped up attacks against several high-priority targets.

Several sectors of I and II Corps and the Saigon area saw continued enemy action on 6 May. More than 400 Communists were reported killed in a series of engagements near Hue, Quang Tri city, and the US Marine base at Dong Ha on the night of 5-6 May. Several allied positions in the western highlands and the coastal provinces of II Corps came under enemy rocket and mortar attack, and ground fighting was reported in Binh Dinh Province.

The Phu Tho race track area of Saigon's Cholon section has been the scene of continued engagements. Prisoner interrogations indicate that elements of the 271st and 272nd regiments of the Viet Cong 9th Division are participating in the action. In Hau Nghia Province several miles northwest of the capital, three South Vietnamese battalions engaged a battalion-size North Vietnamese force and reported killing 167.

Information [] indicates that the enemy offensive action may continue. In addition to the elements of the two 9th Division regiments reported to be operating in Saigon, the division's third regiment has been reported nearby.

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[There are indications that cabinet changes, possibly including the replacement of Prime Minister Loc by Tran Van Huong, may be imminent.]

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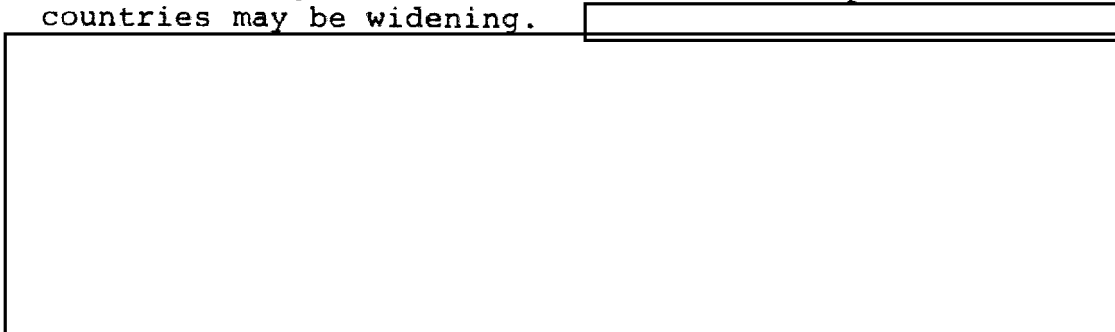
Poland-Yugoslavia: The Poles reportedly have canceled a long-planned visit of a parliamentary delegation to Yugoslavia, claiming that the Yugoslav press has created an "unfavorable climate."

The Polish delegation was scheduled to arrive on 5 May and was to have met with President Tito.

The Yugoslav press, which has approved the present trends in Czechoslovakia, has openly criticized the anti-Semitic and anti-intellectual campaign in Poland. The official party daily has published a protest by a group of 160 Yugoslav intellectuals against expulsions of professors and students from Warsaw University.

The Poles have already made representations in Prague over the "lack of objectivity" of Czech press reports on Poland, and last weekend several Polish newspapers deplored certain developments in Czechoslovakia. The cancellation of the Yugoslav visit is another indication that the gap between the Polish regime and several Eastern European countries may be widening.

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Jordan: [The country is undergoing a severe economic recession, even though its hoard of foreign exchange is the highest in history.]

[Recent subsidy payments from Kuwait, Libya, and Saudi Arabia have brought Jordan's foreign exchange holdings to about \$285 million. The subsidies, agreed on at the Khartoum conference last year, amount to about \$106 million a year.]

[Effects of the June war, however, have plunged the economy into a severe recession. Business activity has been depressed by political and economic uncertainty, lack of government guidance, and loss of tourism and markets on the Israeli-occupied West Bank. Agriculture has been hit hard by the evacuation of the Jordan River valley and a water shortage in the Ghor region, caused by damage from Israeli artillery. Private investment has all but stopped. Unemployment has increased greatly with the influx of new refugees and a drop in the number of gainfully employed. West Bank refugees have swelled the potential labor force more than 20 percent.]

[The large influx of foreign aid has had no impact on the recession because the funds accumulated have not been used for investment.]

[Recent arms purchases from the US and other countries will not materially reduce current Jordanian foreign exchange reserves, because payments are spread out over a period of years. The Jordanians probably will continue to hoard their foreign exchange surplus against future disasters or the day when the subsidies cease.]

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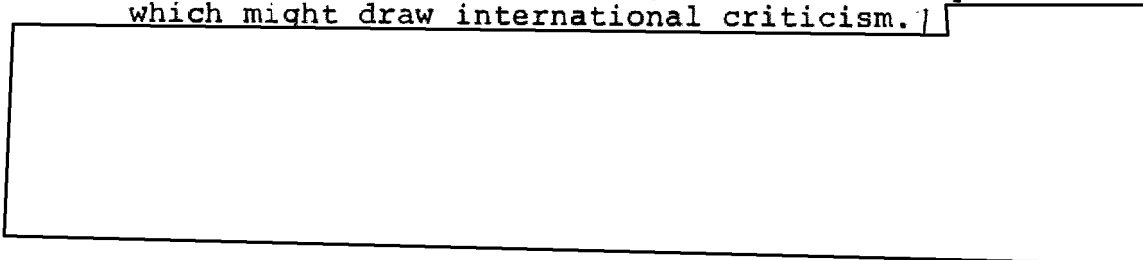
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Indonesia: [The government, concerned over a favorable outcome next year when West Irian determines its future status, is beginning to prepare the ground for a contrived vote.]

[Djakarta regards the retention of West Irian as basic to its national interests. It fears that an independent West Irian would give impetus to other separatist movements throughout the scattered republic. It therefore feels that the only realistic solution is to arrange a pro-Indonesian decision and then work to improve the administration of West Irian. Government officials are seeking to gain Western understanding for some kind of formula that would satisfy the letter of Indonesia's commitment to the UN while keeping West Irian in the republic.]

[Djakarta realizes its chances of winning a plebiscite are negligible. It is inclined to base an "act of self-determination" on the cooperation of those tribal leaders it feels it can influence.]

[While Indonesia probably can arrange a favorable result, it will try to do so without leaving conspicuous impressions of pressure or manipulation which might draw international criticism.]



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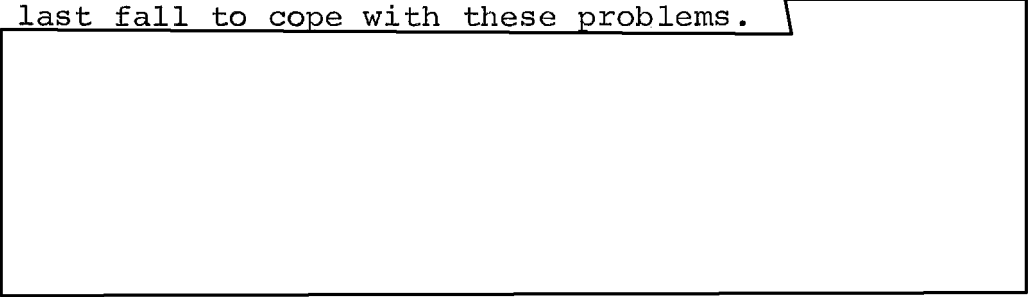
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Japan: Prime Minister Sato stands to benefit in elections this year if the comparative price stability of recent months continues.

Sato has been heavily criticized in the past for failure to hold down consumer prices, but, partially as a result of his efforts, Japan's consumer prices for the fiscal year ending 30 March increased only 4.2 percent compared with 6.4 percent in the preceding year. This improvement is the more remarkable because the higher rate of real growth in gross national product in the past year would normally lead to greater price increases.

Other economic criteria on which the Sato administration will be evaluated are its ability to deal with balance-of-payments problems over the next few months and the manner in which it handles the restrictive monetary policy invoked last fall to cope with these problems.



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Uruguay: [President Pacheco's appointments to his new cabinet do not resolve the party factionalism that has obstructed his economic program.]

[The President announced the appointment of six new cabinet ministers on 2 May to replace those who resigned following the senate's censure of Foreign Minister Luisi and Labor Minister Acosta y Lara.]

[Although Pacheco had stated that he might reorganize his cabinet along nonpartisan lines to include members of the opposition Blanco Party, discussions with Blanco leaders failed. Except for Foreign Minister Venancio Flores, all cabinet ministers are members of the Colorado Party. Flores, president of the politically insignificant Civic Christian Movement, was selected because of his personal prestige.]

[Pacheco has reaffirmed his commitment to present economic policies. A leader of one important Colorado faction has already broken with the government and will not support its policies. The US Embassy has commented that the new cabinet, in effect, is a minority government.]

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[Czechoslovakia: Dubcek's statement last night that Prague will send another delegation to Moscow "within the next few days" suggests that the Soviets took a tough stance on granting economic aid. The party leader admitted that the Czechoslovak delegation requested economic aid last weekend but stated only that the Soviet leaders will "study" the request. He said that Moscow again expressed "anxiety" lest Czechoslovakia's "democratization" go too far, although he added that the Soviets received a Czechoslovak explanation on this subject with "understanding." Dubcek's remarks suggest that Moscow is seeking political concessions from Prague in return for economic aid, and that he is consulting with other Czechoslovak leaders before acting further.]

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[Spain-Gibraltar: Yesterday Madrid stepped up its campaign to regain Gibraltar by barring traffic across the Spanish-Gibraltar land border. The only exceptions to the order are Spanish workers employed in the British colony and civilians from Gibraltar granted passage for humanitarian reasons. The closure will cut down tourist trade, an important contributor to Gibraltar's economy.]

[Talks between the UK and Spain were broken off in March after London had refused to discuss Gibraltar in the context of the UN resolution calling for its decolonization. The closure will increase pressure on the British just as they begin talks with Gibraltar's ministers on calling a constitutional convention to provide more local government. The Spanish move is expected to reinforce British determination to sustain the colony, politically and economically.]

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Belgium: Socialist leader Collard has failed to form a new coalition and caretaker Prime Minister Vanden Boeynants or another Social Christian leader may be asked to try. Chances for such efforts have brightened since the Liberals, who had seemed bent upon going into opposition, are willing to join in a new coalition with the Social Christians and seek agreement on constitutional reforms to ease the linguistic crisis. Such a coalition, however, would have only a slim majority in parliament, and would need the support of two thirds of parliament to pass the controversial but necessary constitutional reform.

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Burundi: Two government officials have been arrested for instigating an anti-American demonstration on 2 May at the opening of a jazz concert sponsored by the US Embassy. Another demonstration, this one against the American Embassy, may emanate from opposition elements within the government and from the official youth group, which seem bent on challenging President Micombero. [Several dissidents within the government were arrested last month following rumors of an impending coup and of a Hutu uprising in the countryside.]

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Guatemala: President Mendez has appointed former president Juan Jose Arevalo as ambassador to Rome. The move could spark reaction from rightist elements or the armed forces, who consider Arevalo a Communist. Arevalo's return from exile in March 1963 to run for President precipitated a military take-over, and for the past year he has been in Mexico. Should Arevalo's nomination as ambassador cause adverse reaction, President Mendez probably would attempt to appease the military by pointing out that the government is merely trying to get him as far away from Guatemala as possible.

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